



**Testimony
Betsy Gara
Executive Director
Connecticut Council of Small Towns
Appropriations Committee
March 18, 2022**

**HB-5002 - AN ACT EXPANDING GRANTS IN LIEU OF TAXES PAYMENTS TO INCLUDE
MANUFACTURING MACHINERY AND EQUIPMENT EXEMPT FROM PROPERTY TAX**

The Connecticut Council of Small Towns (COST) **supports HB-5002**, to provide municipalities with a 100% reimbursement under the state's Payment in Lieu of Taxes (PILOT).

Manufacturing Machinery and Equipment (MME) has been 100% exempt from property tax since the 2011 assessment year. Prior to FY 12, municipalities were reimbursed under a PILOT program for part or all lost revenues resulting from the mandated MME property tax exemption.

This partnership was a win-win for Connecticut, because it nurtured the retention and growth of manufacturing industries, which have a significant multiplier effect on the economy, and ensured that municipalities did not have to shift a greater property tax burden onto residents and other businesses.

PILOT reimbursements were eliminated in 2012, however, and replaced with manufacturing transition grants equal to the PILOT amount each municipality received in FY11. The legislature adopted additional changes effective in FY 14 which provides for reimbursements to municipalities for some of the lost revenues through municipal aid grants provided through the Town Aid Road grant program.

The problem is, this creates a disincentive for municipalities in trying to attract manufacturing facilities to their communities because they don't generate as much property tax revenue as other businesses or housing developments. This negatively impacts job opportunities and our state and local economies.

In addition, there have sometimes been significant delays in allocating bond-funded municipal aid, creating concerns regarding when funds would be made available not towns. This sometimes stalled or otherwise derailed certain capital projects.

Accordingly, COST supports efforts to increase reimbursements to towns for MME under a PILOT program.

Thank you for the opportunity to comment in support of HB-5002.